

Green Mountain Care Board
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Anya Rader Wallack, Ph.D., Chair
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April 16, 2012

Dear Hospital CEO:

This letter is to inform you about the approach that the Department of Financial Regulation (formerly BISHCA) and the Green Mountain Care Board plan to follow in the FY 2013 hospital budget review process. You should be aware that H. 559 is still under review in the legislature and if passed, could lead to other changes in the process. We will update you as the legislation progresses.

As last year, we recognize the need for a careful balance of the concerns of Vermont citizens and businesses with the financial health of the hospital industry. Therefore, beginning with the attached budget instructions, the entire budget review process will continue to focus on restraining health care costs.

The budget instructions are designed to provide guidance to limit costs at the delivery system level. We are requesting, as you prepare your budgets, that you strictly adhere to the limits we have identified for FY 2013. The Department and the Board understand that this approach will require you to make potentially difficult choices.

The FY 2013 budget instructions include basic principles to limit expenditure growth. The Department and the Board realize that each hospital has unique circumstances and will consider those circumstances as part of the overall budget review and in determining the appropriate rate increase. In addition, we expect that we will need to find efficiencies and other improvements that will reduce costs across the hospital system.

The budget instructions in the Uniform Reporting Manual Supplement outline the specifics for most of the budget assumptions recommended by the Board and approved by the Department. The budget limits provide an overall net patient revenue increase of 3.75%. We will also carefully review whether specific expenditures/revenues as outlined under "Exempted" meet the intention of promoting health care reform efforts that the state considers critical to attaining Vermont's health care reform efforts. In all instances, each hospital budget will be reviewed for its unique circumstances and final budget decisions will weigh those factors against the system-wide need for cost containment.

The Board will hold a public hearing on August 14th. At this time there will be an overview as well as findings for individual hospitals. Hospitals will not be required to testify on that date. If testimony is required, you will be notified. Also, in the next few weeks, we plan to send more information for Medicaid estimates and physician reporting of revenues and expense.



As questions emerge, please do not hesitate to contact Michael Davis if you have any questions about the budget instructions.

Sincerely,

s/ Anya Rader Wallack

Anya Rader Wallack

Chair

Green Mountain Care Board

s/ Stephen W. Kimbell

Stephen W. Kimbell

Commissioner

Department of Financial Regulation

Pc: Green Mountain Care Board
 Stephen Kimbell, Department of Financial Regulation
 Michael Davis, GMCB staff
 Hospital CFOs
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